



BILLING CODE: 3410-XV

DEPARTMENT OF AGRICULTURE

Rural Housing Service

Establishment of Maximum Interest Rate

AGENCY: Rural Housing Service, USDA.

ACTION: Request for Information.

SUMMARY: The Rural Housing Service (RHS or Agency) seeks public comments on updating the provisions of the Single Family Housing Guaranteed Loan Program (SFHGLP), specifically regarding the maximum interest rate, its impact on loan making to potential SFHGLP borrowers, and possible changes to the interest rate cap. RHS is soliciting input regarding the maximum interest rate to help the Agency determine whether the interest rate cap should be modified in order to support the agency's mission to offer applicants, who are unable to secure the credit necessary for such housing from other sources under conventional credit terms, an opportunity to acquire new or existing housing for use as a primary residence; finance the repair and rehabilitation costs associated with the purchase of the home; and refinance an existing Section 502 loan to lower the interest rate.

These opportunities are provided to applicants under terms and conditions which the applicant can reasonably be expected to fulfill.

DATES: Written Comments: Interested parties must submit written comments on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: Submit comments in either paper or electronic format by the following methods:

- Federal eRulemaking Portal at <http://www.regulations.gov>. Follow instructions for submitting comments.
- Postal Mail/Commercial Delivery: Please send your comments addressed to Kate Jensen, Finance and Loan Analyst, Single Family Housing Guaranteed Loan Program, USDA Rural Development, 1400 Independence Avenue, STOP 0784, Room 2250, Washington, DC 20250–1522.

FOR FURTHER INFORMATION CONTACT: Kate Jensen, Finance and Loan Analyst, at kate.jensen@wdc.usda.gov or (503) 894-2382.

SUPPLEMENTARY INFORMATION:

Background

RHS delivers programs authorized by the Housing Act of 1949, as amended (42 U.S.C. 1472 et seq.) (Housing Act). The preamble to the Housing Act declares that every American deserves a “decent home and a suitable living environment.” RHS guarantees a variety of housing loans for home purchases, repair, and rental housing development in rural areas. The SFHGLP provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by agency-approved private sector lenders. Loans may finance the full construction and acquisition cost of a property up to 100 percent of the appraised value. Mortgages have 30-year terms and fixed rates negotiated

with the lender that cannot exceed an interest rate cap that is determined by the Agency. Financing may also be used to refinance existing USDA guaranteed or direct loans. The program maintains its neutral or slightly negative subsidy status through guarantee and annual loan fees.

Request for Comment

Stakeholder input is vital to ensure that the maximum interest rate continues to support the agency's mission and not overly burden SFHGLP lenders and their customers. Currently, the maximum allowable interest rate is defined in Section 7.3.B of the program handbook (available at <https://www.rd.usda.gov/files/3555-1chapter07.pdf>) as the current Fannie Mae posted yield for 90-day delivery (Actual/Actual), plus one percent for 30-year fixed rate conventional loans, rounded up to the nearest one quarter of one percent. The Agency is considering whether to modify the maximum interest rate and would like stakeholder feedback on the issue.

The following questions and discussion items are posed to guide stakeholder comments. Where possible, RHS requests that comments include specific suggestions regarding ways to improve existing programs and delivery mechanisms and eliminate or minimize the duplication of RHS's regulation and policies with work performed by other entities, including federal, state, and local agencies. RHS welcomes pertinent comments that are beyond the scope of these questions.

1. Should the Agency continue with the requirement that the maximum allowable interest rate shall not exceed the current Federal National Mortgage Association posted yield for 90-day delivery (Actual/Actual) plus one percent for 30-year fixed rate conventional loans, rounded up to the nearest one quarter of one percent?

2. Should the Agency consider indexing the maximum allowable interest rate to a source other than the Federal National Mortgage Association?
3. Should a higher maximum allowable interest rate cap be established? If so, what maximum rate is recommended, and why?
4. Does the current maximum interest rate create any barriers to loan making in eligible rural areas? If so, how and under what circumstances?
5. What effect would increasing or eliminating the maximum interest rate have for loan originators and borrowers in underserved populations and rural communities?
6. If the maximum allowable interest rate cap were to be increased or eliminated, what protections exist to prevent consumers from being overcharged?
7. If the maximum allowable interest rate is raised or removed, what steps should the Agency take to monitor lenders to ensure that borrowers are not overcharged?

Non-Discrimination Statement

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Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotope, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- (1) Mail: U.S. Department of Agriculture

 Office of the Assistant Secretary for Civil Rights

 1400 Independence Avenue, SW

 Washington, D.C. 20250-9410;
- (2) Fax: (202) 690-7442; or
- (3) Email: program.intake@usda.gov.

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Dated: August 13, 2018.

Joel C. Baxley,
Administrator,
Rural Housing Service.

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